

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 13, 2006

PRESENT: Commissioners John Byrne and Patricia Russell; Randall Avery, Deputy Chief of Enforcement; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Kathleen Hass, Director of Purchasing; Peter Engel, Director of Store Operations; Evie Taft, Human Resource Administrator; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Doreen Wittenberg, Administrative Services. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.; Michael Gocłowski, Law Warehouse; Mark Bodi and Sophia Cogliano, Griffin, Bodi & Krause.

EXCUSED: Chairman Anthony Maiola; Richard Gerrish, Spirits Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending September 10, 2006 were up for the weekly comparison by 14.20% or \$996,554, as they were year-to-date by 5.95% or \$5,253,176.

B. Budget/Administrative Reports:

There were three items on the Governor and Council agenda this morning in Laconia. All were passed without issue.

Craig has been trying to work with the Attorney General's Office on the contract/lease issues. Their legal counsel called last week and offered to help. Craig provided him with e-mail documentation concerning these problems.

Several seminars have been held on non-service credit which would enable employees to buy back services for vesting purposes. This topic will be discussed at the next supervisors' meeting.

The current W-6 Expense Activity Variance Report shows the year to be at about 20% expended, with total budget expenditures at around 16%. Everything is looking fine at this time.

2. IT Report

Some problems occurred with communications within the stores this week, and it is expected that every store will be affected at some point. However, these issues are short term have been very easily resolved.

A broker meeting regarding electronic access was held this morning, and appeared to go very well.

3. Human Resources Report

Evie reported that a workers' compensation payoff in the amount of \$14,000.00 had just been paid.

II. MARKETING & SALES REPORTS

1. Store Operations:

Sophia and Mark from Griffin, Bodi & Krause gave a presentation on the November portion of the fall advertising program, which is an outgrowth of the program and exposition from WMUR entitled "How To". Two major brokers will also participate in this venture, which is targeted towards informing consumers regarding various recipes, holiday drinks and what other resources there are to assist them. The agency presented for review two main posters, the theme of which will be to "Explore, Discover and Enjoy" and which will focus on different brands and categories. Additional visual materials will be developed from this theme. A web site will also be linked from the WMUR web site. In addition, shelf talkers will be provided to the Commission for review and approval. Mark Bodi reviewed hand-out regarding the budget for this program. It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve both the exposition and budget for the promotion. The motion was unanimously adopted.

A. Large Volume Purchase Policy: Referred to Executive Session.

B. Seasonal Store Hours Change: Store #12, Center Harbor:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a change in seasonal store hours for Store #12, Center Harbor, commencing September 25, 2006, as recommended by Tony Burns, Supervisor/Manager and concurred by Peter Engel, Director of Store Operations and John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Total sales for the week ending 9/10/06 were up 11.05% or \$618,793.71.

There will be a meeting on Friday with representatives from Unifirst, the successful bidder for our store employee shirts, to address the women's sizing issue. We have been assured by Unifirst that this situation will be rectified before Thanksgiving at no additional cost to the Commission.

All demolition has been completed at the new Hillsboro location. Peter is planning to open the store on September 27th.

2. Purchasing Report:

Kathy distributed the latest warehouse out-of-stock report.

Kathy reported that the holiday packs are now coming in, and that inventory records will be added as they do. There was brief discussion as to how this should be processed.

3. Merchandising Report

A. SPIRITS:

1) Grain Alcohol (190) Sales Policy:

It was moved by Commissioner Russell, seconded by Commissioner Byrne, that the Commission approve changes in the Grain Alcohol (190) Sales Policy, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Kajmir Vanilla Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ Constellation Brands USA for a new test market listing for Kajmir Vanilla Brandy, 750ML size (assigned new Code #4543), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Armagnac de Montal VS):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./ A. Hardy for a new test market listing for Armagnac de Montal VS, 750ML size (assigned new Code #4514), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Result (Codes #8325, #8326 & #4651):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #4651, Cognac Monfort

XO, 750ML and added size listings Code #8325, Herradura Silver Tequila and Code #8326, Herradura Reposado, 375ML sizes, as each failed to earn their respective required gross profits at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Line Extension Request (Paul Masson Grande Amber Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ Canandaigua Wine Co. for a size extension to Paul Masson Grande Amber Brandy, 1.75L size (assigned new Code #4339), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) One Time Buy Request (Three Olives Watermelon):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ White Rock Distillers for the Commission to make a one-time purchase of Three Olives Watermelon, 50ML size (assigned new Code #3561), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) October Coupon:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve coupon offers from Horizon Beverage Company for Code #2658, Cutty Sark, 750ML and Code #2395, Tullamore Dew, 1.75L, to be featured during the Columbus Day Sale (September 28 through October 9, 2006), and to be placed in each newspaper the Commission advertises in, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) October, November, December 2006 Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to conduct a gas card sweepstakes during October, November and December featuring the Jim Beam and Canadian Club

family of products and the Absolut Vodka and DeKuyper family of products, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Tabled Item: Test Market Request (H.W. Peppermint Schnapps, from 8/30/06 agenda, Item #A-1-c):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table and referred back to Marketing pending receipt of the final test market results for Hiram Walker Pomegranate. The motion was unanimously adopted.

B. WINES:

- 1) Banfi Vintners 25% Off Sale, Tastings, and Gift Card Giveaway:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/ Banfi Vintners to conduct a 25% off sale on five Concha Y Toro wine codes, a gift card giveaway sweepstakes and in-store tastings in support of the promotion, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Beam Estates Gift Card Giveaway:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company to conduct a Beam Estates Winter Gift Card Promotion featuring twelve participating brands during October, November and December 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) MS Walker 2007 Polaris Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker to conduct an “AV Imports Polaris Holiday Sweepstakes” featuring fourteen wine codes during October, November and December 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchase and Introduction of Raimat:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from M.S. Walker for the Commission to purchase cases of Code #44274, Raimat Chardonnay, Code #44273, Raimat Cabernet Sauvignon and Code #44275, Raimat Tempranillo for display in Cluster 1 and 2 stores, but approve placing three case absolutes in the Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Results of the Purchase & Display of Cumulus Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of five (5) Cumulus wines for failure to achieve the required gross profit during the first two months of their purchase and display, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Appeals:

a. Appeal on Removal from Retail of Almaden White Zinfandel:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant an appeal from Southern Wine & Spirits of N.E., Inc. regarding the removal from retail of Code #6590, Almaden White Zinfandel, 5L size, by placing the product back into the stores and removing Code #6434, Almaden White Zinfandel, 1.5L size, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Appeal on Removal from Retail of Anastasi Estates White:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant an appeal from R.P. Imports regarding the removal from retail of Code #43011, Anastasi Estates Dry White, and reinstate this product until the next review of the Greek wine category, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Test Market Results:

a. 2 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of Code #43128, Cristobal Viognier Pie de Palo and Code #422887, Kessler R Rheingau on close out sale to assist in depleting remaining inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 6 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve expanding the distribution of the following six (6) wine codes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #37126, Girard Chardonnay Russian River; Code #41033, Folie A Deux Menage A Trois; Code #43127, Cristobal Malbec Pie de Palo; Code #43308, Penfolds Shiraz Koonunga Hill; Code #43230, Saturday Red; and Code #41648, Saint M Pfalz. The motion was unanimously adopted.

c. 113 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission acknowledge the list of 113 test market items which will continue to be monitored for gross profit information, as submitted by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Test Market Requests:

a. Red Bicycleette Pinot Noir:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from E & J Gallo Winery to test market Code #44042, Red Bicycleette Pinot Noir by placing three absolutes in all Cluster 1 stores and two additional stores, including in-store tastings on October 26, 2006 in five stores as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Ercavio:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker to test market Code #43908, Ercavio Airen Blanc and Code #43907, Ercavio Tempranillo by placing three absolutes of each in all Cluster 1 stores and five additional stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Cycles Gladiator:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Co. to test market the following four Wimbledon wines by placing three absolutes of each in all Cluster 1 stores and six additional stores: Code #43826, Cabernet Sauvignon; Code #43828, Merlot; Code #43829, Pinot Grigio and Code #43831, Syrah, but deny the test marketing of Code #43827, Chardonnay, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Codes #42290, #44047, #44045 and #44048:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH to test market the following four wine codes by placing three absolutes of each in all Cluster 1 stores and two additional stores: Code #42290, Carchelo Jumilla; Code #44047, Vina Gormaz Tempranillo; Code #44045, Dominio de Tares Baltas; and Code #44048, Toro Alba Don Pedro Ximenez , as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 10) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 11) Primary Source Submissions (2 primary source; 21 exclusive agent; 67 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, twenty-one (21) wine codes which are offered by the exclusive marketing agent; and sixty-seven (67) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated August 31 through September 13, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

- a. Covey Run Sweepstakes & Email Coupon October 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Covey Run Winery to conduct a sweepstakes and e-mail coupon promotion during October 2006 featuring eight wine codes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

V. EXECUTIVE SESSION

The meeting adjourned at 1:20 p.m., and the Commission went into non-public session to address personnel and store operation items.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

